

2006 Governor's Conference

MISSION POSSIBLE



Invent the Future



- Department of Economic & Community Development

Program Management Division

Philip Trauernicht-Director

Jeff Bolton-Loan Manager



CDBG Economic Development Program

- ◆ Monies allocated to assist local governments
- ◆ Monies provided for new and expanding manufacturing and distribution companies
- ◆ Applications are available year round
- ◆ Funds are in the form of grants and/or loans

- ◆ **Grants are available to assist with infrastructure**
- ◆ **Loans provide funding for building construction/ acquisition and equipment purchases**
- ◆ **Maximum amount of funding is typically \$500,000 (varies based on three star status)**
 - ✓ **Economically distressed counties are eligible for up to \$750,000**

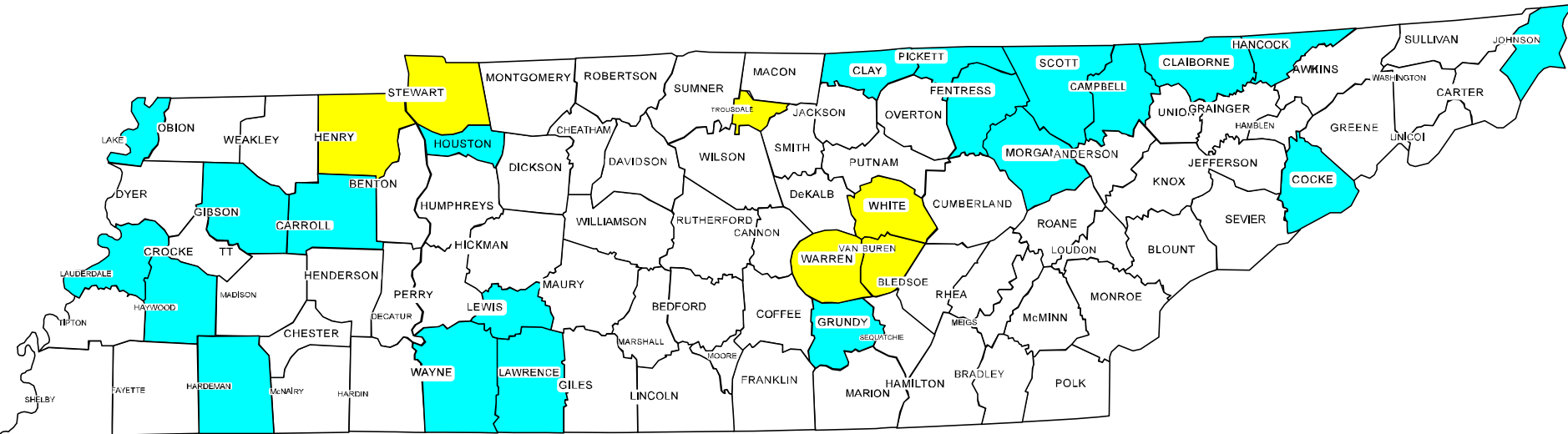
THREE-STAR PROGRAM INCENTIVES AND POINT SYSTEM

Incentives				
ECD	LEVEL I	LEVEL II	LEVEL III	
Matching Grants - One (1) per Three-Star program	\$1,000	\$1,500	\$2,000	
CDBG Points:				
City	2	2	2	
County	5	5	5	
Local Match (CDBG - FastTrack Infrastructure Development Program {FIDP} - DRA):				
City	-1	-2	-3	
County	-3	-4	-5	
CDBG Loan Limits (Counties described as economically distressed by ECD will remain at the \$750,000 loan limit)				
City	\$550,000	\$575,000	\$600,000	
County	\$600,000	\$625,000	\$650,000	
Energy	Energy Education - \$500 Loan Interest 2%	Change a Light - \$1,500 Loan Interest 2%		

Points required for Level Completion:

Level I	500
Level II	1,000
Level III	1,500

ECONOMIC STATUS OF TENNESSEE



ECONOMICALLY DISTRESSED COUNTIES: The 10 most disadvantaged counties in each of the following categories: 3 year average unemployment, per capita market income, or poverty rate.



COMMISSIONER'S DISCRETION: Any county not otherwise designated which exhibits substantial characteristics of economic distress such as major loss of employment, recent high unemployment rates, traditionally low levels of family incomes, high levels of poverty, and high concentrations of employment in declining industries.



Economically Distressed Counties Effective July 1, 2006

Campbell	Fentress	Haywood	Lauderdale	Scott	Wayne
Carroll	Gibson	Henry	Lawrence	Stewart	White
Claiborne	Grundy	Houston	Lewis	Trousdale	
Clay	Hancock	Johnson	Morgan	Van Buren	
Cocke	Hardeman	Lake	Pickett	Warren	



Funding Criteria

- ◆ Number of jobs
- ◆ Quality of those jobs
- ◆ Capital investment of Company
- ◆ General review of company
- ◆ Grant rate of the grantee (for grants)
- ◆ Economic status of county

Application/Approval Process

- ◆ **Pre-Application meetings are required**
- ◆ **Complete application sent to Program Management**
- ◆ **Review period +/- 60 days**
 - ◆ **Allow +/- 90 days for start-ups**
- ◆ **Due diligence on application by Loan Officer**
- ◆ **Presented to Loan Committee for approval**

Rules for CDBG Loans

- ◆ **80 % Loan to Value**
- ◆ **Start-up projects must include 20% equity and 30% financing from private sources**
- ◆ **Variable interest rate based on a discount applied to the rate published by the *Wall Street Journal* at the time of closing**
 - ◆ **No rate shall be less than 1%**



Loan Terms Available

- ◆ **Equipment financed for 7 years**
- ◆ **Building construction/acquisition are financed for 15 years**
- ◆ **Industries located in economically distressed counties are offered loans financed for 20 years on building construction/acquisition**



Primary CDBG Requirements

- ◆ ERR required for both loans and grants
 - ◆ NO project costs prior to the end of the ERR period
- ◆ Company must agree to hire 51% LMI employees
- ◆ Davis-Bacon wages apply on construction
- ◆ Project must be necessary and appropriate



How to Apply

Applications are available on the ECD Website

For more information contact:

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Program Management

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